

# Indonesia Growth

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## Indonesia's Economic Growth Forecasting

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**Abstract:** The high economic growth is very important for Indonesia to accelerate the development process at this period. Although, the growth rate was reached at 5.17 % in 2018 is likely high enough, some domestic economists even point out, it really can be raised to a higher level. This research tries to investigate and formulate again Indonesia's economic growth rate in 2018 and forecast it for 2019. By doing analysis recent real GDP data by industrial origin and by type of expenditures, and also consider all of the available potential economic resources, this research shows that Indonesia's economic growth rate could stand at 6.03 % in 2018 and also at 6.03 % in 2019. Anyway, the government need a good economic plan and consistently performing appropriate strategies which are suited to targets in order to have rapid and stable economic growth rate.

**Keywords:** Economic Growth, Forecasting, Indonesian Economy

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### Introduction

When we talk about the social and economic welfare of people of a nation, one important aspect of actual topics must be discussed is a discussion about an economic growth rate which can be reached by a country. It is reasonable why all of the countries in the world like positive economic growth rates, and even now most of developing countries put a priority on a high economic growth rate over others to develop their economy (Soebyakto & Bashir, 2017). Economic growth rate reflects economic performance which can be reached in the process of economic development, a rapid growth rate means a large GDP, and hence increasing the social and economic welfare of people.

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<sup>2</sup> Economic growth deals with an increase in the level of GDP. <sup>5</sup> As economist Sen (2017) points out, economic growth is one aspect of the process of economic development. That growth causes development because some of the increase in income gets spent on human development factors. Economic growth benefiting human development, since economic growth is likely to lead families and individuals to use their heightened incomes to increase expenditures, which in turn furthers human development. At the same time, with the increased consumption and spending, health, education, and infrastructure systems grow and contribute to economic growth.

Although, it is not always true, when we compare between economic growth rates in developing countries with economic growth rates in developed countries. Recently, many developed countries have low economic growth rates, for examples: Japan and South Korea, both of them have low economic growth rates at 0.5 % and 2.6 % in 2015. A possible answer to that problem, that they have different stages of economic development with each other. Formerly, the real national income of Japan was 5.4 times as large in 1973 as it was in 1953 (Lipsey & Chrystal, 2015). During this period, Japan's economic growth rate was more than double the average rate in the 10 major North American and European countries. Korea also has experienced rapid growth in the quarter century, and it increasingly rivals Japan in the world market for many manufactured goods. From 1960 through 1985, growth in Korea was even faster than in Japan; real per capita GNP in Korea rose 12% of the U.S. level to 31%, while in Japan it rose from 33 to 77%.

Economic growth is a phenomenon of market productivity and rises in GDP. As far as we know, most developing countries have a lot of unemployed resources can be used up in production, which in turn furthers economic growth. The People's Republic of China (RRC) is one interesting example of most of the available examples, its economic growth rates stood at 10.6 % in 2010, 7.0 % in 2014 and 6.9 % in 2015. But, Indonesia is likely different from RRC. Compared to RRC, real GDP in Indonesia grew lower, which only rose 6.1 % in 2010, 5.0 % in 2014 and 4.8% in 2015 than in RRC. However, Indonesia abundantly has unemployed resources, such as available natural resources, and a high unemployment rate could be used to accelerate the economic development process. Besides that it also has a potential market to absorb output will be supplied in the market.

Moreover, Indonesia previously ever had rapid economic growth rates in the period of Orde Baru's regime. That's logic, why some of the domestic economists Ramli (1998) and (Gie, 2006) they want Indonesia also to have rapid economic growth rates likes had by RRC. Therefore, this paper tries to investigate and formulate again Indonesia's economic growth rate, mainly in 2018 and forecast it in 2019.

## Literature Review

As economists Meier & Rauch (2005) point out, economic development is the process of the <sup>2</sup> increase in real national income of a nation for a long period (Meier & Rauch, 2005). If the <sup>3</sup> increase in the level of economic development is larger than the <sup>5</sup> increase in the level of population, it increases real income per capita. The increase in national output does not only reflect final results, but it also brings structural changes in supply factors and demand factors.

The theory of economic growth is a long-run theory. It ignores short-run fluctuations of actual national income around potential income and concentrates on the effects of an investment in raising potential income (Lipsey & Chrystal, 2015). In the short-run, any activity that puts income into people's hands will raise aggregate demand. Thus, the short-run effect on national income is the same whether a firm invests in digging holes and refilling them or in building a new factory. The long growth of potential income, however, is affected only by the part of the investment that adds to the nation's productive capacity, by the factory but not by the refilled hole.

Similar observations are true of public-sector expenditure. Any expenditure will add to aggregate demand and raise national income if there are unemployed resources, but only some expenditure adds to the growth of full-employment income. Public-investment expenditure that shores up a declining industry in order to create employment may have an adverse effect on growth. Such expenditure may prevent the reallocation of resources in response to shifts both in the pattern of world demand and in the country's comparative advantage. Thus, in the long run, the country's capacity to produce commodities that are demanded on open market may be diminished. It also happens in savings. Higher savings are necessary for higher investment. In the long run, there is no paradox of thrift; Societies with high savings rates have high investment rates, other things being equal, high levels of real income.

5 As economist Sen (2012) points out, economic growth is one aspect of the process of economic development. That growth causes development because some of the increase in income gets spent on human development factors. As economist Ranis points out, the first chain consists of economic growth benefiting human development, since economic growth is likely to lead families and individuals to use their heightened incomes to increase expenditures, which in turn furthers human development. At the same time, with the increased consumption and spending, health, education, and infrastructure systems grow and contribute to economic growth.

To support economic development runs smoothly, the government must appropriately apply economic policies. It is important to government increases the level of real GDP going rapid from time to time. Indonesia ever has experienced slowdown economic growth (Soebyakto & Bashir, 2017). The legacy of promoting investment under protective barriers and insulation from competition became more apparent in the early-1980s following the collapse of oil prices (Bhattacharya & Pangestu, 1992). The government's initial response was to protect the industrial sector further through a proliferation of NTBs. Capital productivity fell sharply during 1982-85 as did the rate of return on investment (from 31.4 % in 1973-81 to 13.1% in 1982-85). Following the reforms of the mid-1980s, there has been a turnaround in productivity and efficiency indicators. ICOR levels have fallen steadily as more as labour-intensive export industries have emerged as the engine of growth. The decline in Total Factor Productivity (TFP), -2.5 in 1982-85 and -1.1 in 1985-87, was reversed and the level of TFP growth in 1988-91(2.2) was matched only by the performance during the 1967-73 period (2.1).

As economist Sundrum (1988) points out, since 1981, when oil prices fell and government revenues declined, the government has been trying to reduce its expenditures (Sundrum, 1988). This was the result of a balanced budget policy of adjusting expenditures to equal expected receipts. This was also the advice the government was being given by

international economic agencies, such as the International Monetary Fund and World Bank. The reason for advocating this policy was that a reduction in aggregate demand was necessary to reduce the level of import. Those policies were not very effective in 1982 and 1983, when the domestic budget deficit and the level of investments remained high. The result was that import continued to come in at a high rate, leading to a large increase in the current account deficit. This deficit was largely financed by foreign borrowing, thereby increasing the debt service obligations in future years. Because of the deterioration balance of payments situation, there was a substantial devaluation of rupiah in late 1983, which proved quite effective in reducing import in 1984. But even with this fall in imports, there continued to be a large deficit in the current account. Therefore, the government continued with its contractive policy, which reduced investment in 1985 and the domestic budget deficit in 1986.

However, Indonesia has experienced rapid economic growth rates in the early part of the Orde Baru regime. One of the most important economic policies was performed by the government is a five-year plan of development. Total reforms were conducted by the government, the most famous real sector policies, such as BIMAS and INMAS Packages, they were introduced to the agriculture sector in order to increase output in this sector (Mccawley, 2013). The government also performed monetary reforms, one of the most famous monetary policies, such as tightened money policy by cutting money to lower inflation rate. Another important one of monetary policies is regulating again the main function of the bank to loan credit to the private sector by reducing financing funds to the government's expenditures. Following totally reforms of the early part of Orde Baru increased economic growth rapidly.

Many economists have developed their theories to study how many outputs will be produced in the economy. One of the most famous theories is a Theory of Production which was written by Cobb and Douglas. Both of them studied American Economy, their production function in a mathematical analysis written as follows:

$$P = b \cdot L^k \cdot C^{1-k},$$

where  $b$  is independent of  $L$  and  $C$  and (to fix the ideas)  $k$  is supposed constant and equal  $\frac{3}{4}$  (Solow, 1956). By using data 1899-1922, they found American production function, as follows:

$$P' = 1.01 \cdot L^{3/4} C^{1/4}$$

where  $L$  is labor and  $C$  is capital. From that equation, by using the elasticity of the product with respect to small changes in labor and capital, we can estimate the economic growth rate.

As economist Branson (2005) points out, there is a relationship between output elasticity to relative shares (Branson, 2005). First, they should be recognized as the elasticity of output with respect to changes in input ( $\epsilon_K$  and  $\epsilon_L$ ). The second interesting interpretation follows if we assume the competitive pricing of factor inputs. For example, with competitive pricing, the real wage rate  $w$  is equal to marginal of labor  $\partial F / \partial L$ . If this is the case,  $\epsilon_L$  also gives the labor share of output, as follows:

$$\epsilon_L = \frac{\partial F}{\partial L} \cdot \frac{L}{Q} = \frac{W}{Q} = \text{Labor share},$$

From the output equation ( $Q = n_K K + n_L L$ ), we can compute output growth. A long trend in the U.S. economy, capital stock, and output are growing at about 3.5%, and the labor force is growing at about 1.5%, then the labor share of national income is about 75%, and the capital share is about 25%, then an explained output growth of  $(0.25(0.035) + 0.75(0.015))$  is 0.02 (Branson, 2005).

Another economic growth model comes from (Harrod, 1939) and Domar (1946). The Harrod-Domar Model use capital coefficient ( $\sigma = Y/K$ ) to estimate the economic growth rate (Glassburner & Aditiawan, 1982), is written as follows:

$$\Delta Y = \sigma \cdot \Delta K$$

This model states that output will rise if capital (K) rises if  $\sigma$  is stable, output growth ( $\Delta Y$ ).

## Methods

To answer a research problem which formerly has been stated, this research using secondary data consists of quantitative data and qualitative data. The main sources of data used in this research come from some Indonesia Financial Statistics books which were reported by the Bank of Indonesia and some Indonesia Statistics books which were reported by the Central Bureau of Statistics Indonesia. The main period of observed data is the period 2010-2018. Other data sources come from some articles and books were written by some selected economists. In this research, the method used with a quantitative approach by applying trend analysis and we also compute rates of economic growth ( $\Delta Y$ ) using a usual method, which can be written as follows:

$$\hat{Y} = \alpha + \beta t$$

To find the value of  $\alpha$  can be formulated in the following equation:

$$\alpha = \frac{\sum Y_i}{n}$$

and to find the value of  $\beta$  can be formulated in the following equation:

$$\beta = \frac{\sum t_i Y_i}{\sum t_i^2}$$

Where:  $\alpha$  is the intercept  $\hat{Y}$ , which is the estimate of the value of  $\hat{Y}$  when  $t = 0$  (the y-axis cutting line)  $\beta$  is the slope of the line, namely the change in the average  $\hat{Y}$  for each increase of one unit  $t$ ; and  $t$  is the value/code selected.

Furthermore, to calculate forecast errors are usually used Mean Absolute Percentage Error (MAPE), while the MAPE formula is presented in the following equation (Sorogho, 2017):

$$MAPE = \frac{\sum (X_i - F_i)^2}{n} \times 100\%$$

where  $X_i$  is observation value to  $t$ ;  $F_i$  is forecast value to  $t$ ; and  $n$  is number of observations.

$$\Delta Y = \frac{Y_n}{Y_{n-1}} - 1$$

where n is exhibits years of observed time.

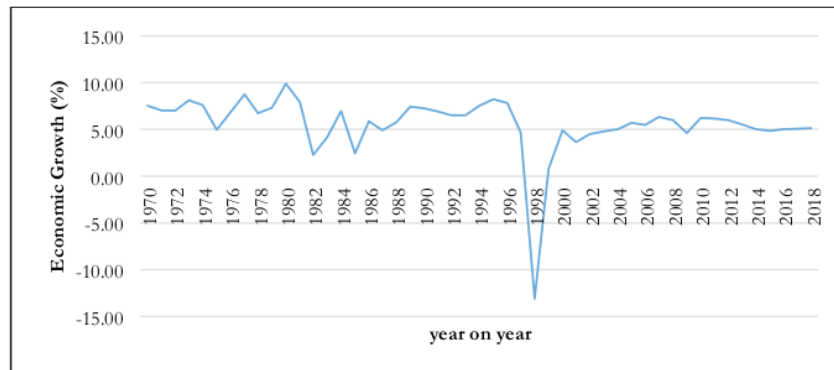
That formula explains to us that the variety of growth rates depend on the variety of Y (real GDP) from time to time. In this research, we also use another method, which follows the concept of output elasticity's and relative shares, which consists of, first, studying existing data to be evaluated, such as available real GDP data by industrial origin and type of expenditures. At the same time, this research also studies available data regarding economic resources relate to existing GDP data in order to find out a lot of information get used in the next step; second, set growth rates target for every observation of GDP data. Finally, use this following method to find out economic growth, which can be written as followed:

$$G_Y = (\eta_1 g_1 + \eta_2 g_2 + \dots + \eta_n g_n)$$

where  $G_Y$  is economic growth rate;  $\eta$  is exhibits relative share;  $g$  is exhibits growth targets; (1...n) exhibits observed sectors or observed expenditures.

### Findings

We can see Indonesia's annual economic growth from year to year as shown by Figure 1. That table shows that Indonesia ever has a highly economic growth for some years. Indonesia's economic growth reached more than 6 % in the years of observation, 2011 and 2012. After those years, Indonesia experienced slow economic growth and reached only by 4.88 % in 2015. Indonesia experienced slowdown economic growth for that year.



**Figure 1. Annual Indonesia's Economic Growth Rates, 1985-2018 (%)**

Source: World Bank (2017) World Development Indicator (Author calculation)

The slowdown economic growth also has been experienced by Indonesia in the decade of the Orde Baru during. Sundrum (1988) reports that the slowdown Indonesia's economic growth had been existing in 1975 and 1978, the economic growth reached only at 2.9 % and 4.78% (at 1983 constant prices) or -0.33% and 2.24 % (at 1973 constant prices) in 1982. Indonesia also has experienced the real slowdown economic growth in the period 1981-1986 which it grew 2.89% per annum. It became worse continuously until the fallen down of Soeharto's regime, which Indonesia's economic growth only reached at 4.6% in 1997, and sharply declined reached at -13,2 % in 1998 (Figure 1). After the economic

meltdown (Johnson, 1998) was disappeared, Indonesia turned back to have some positive economic growth numbers, although they grew slowly.

In spite of that, Indonesia has ever experienced a highly economic growth rate. Mccawley (2013) yearly Indonesia's economic growth reached at 6% per annum in the period of 1965-1971, and 7 % per annum in the period of 1971-1971. Djojohadikusumo (1989) also reports, Indonesia's economic growth rate reached at 7.7 % per annum (Pelita I), 6.9% per annum (Pelita II) and 6.1% per annum (Pelita III). Indonesia also reached a highly economic growth rate at 7.5% (1995) and 8.2% (1995) which happened before the economic crisis (Figure 1).

From those various data shown above, we can conclude that the condition of the economy depends on not only the existing real and potential market but also an adequate governmental intervention in the economy by a good plan and controlled actions. It is logic when some domestic economist argued that Indonesia's economic growth rate should have gone faster. Moreover, Indonesia could not efficiently produce output, with ICOR 7.8 during 1982-85, 5.3 during 1985-87, and 3.7 during 1988-91 (Bhattacharya & Pangestu, 1992), it also decreased continuously, by 3.5 in 2016 to 2.6 in 2017, and 2.4 in 2018 (tabulated data).

In addition, Indonesia potentially still can produce national output more. As far as we know, Indonesia has under capacity production processes until now. Therefore, by implementing a good plan and using unemployed resources optimally, we can improve Indonesia's economic performance, and make the next Indonesia's economic growth going faster than before.

**Table 1. Actual and estimated GDP by industrial origin and its growth rate**

No	Industrial Origin	GDP (Billion Rp)		Growth (%)	GDP (Billion Rp)		Growth (%)
		2017	2018	2017-2018	2018	2017-2018	
1	Agriculture, forestry and fishery	1,57,876	1,307,026	3.91	1,307,026	3.91	
2	Mining and quarrying	779,678	796,505	2.16	796,505	2.16	
3	Manufacturing	2,103,466	2,278,474	8.32	2,193,266	4.27	
4	Electricity and gas supply	101,551	107,109	5.47	107,109	5.47	
5	Water supply, sewerage, waste management and remediation activities	7,986	8,422	5.46	8,422	5.46	
6	Construction	987,925	1,048,083	6.09	1,048,083	6.09	
7	Wholesale & retail trades, repair of motor vehicles and motorcycles	1,311,763	1,376,937	4.97	1,376,937	4.97	
8	Transport and storage	406,679	435,185	7.01	435,185	7.01	
9	Accommodation and food service activities	298,079	314,955	5.66	314,955	5.66	
10	Information and communication	503,421	538,875	7.04	538,875	7.04	
11	Financial and insurance services	398,959	415,579	4.17	415,579	4.17	
12	Real estate activities	289,730	300,107	3.58	300,107	3.58	
13	Business services	172,764	187,691	8.64	187,691	8.64	
14	Public administration and defence; compulsory social security	326,571	349,507	7.02	349,507	7.02	
15	Education	304,762	321,084	5.36	321,084	5.36	
16	Human health and social work activities	109,504	117,315	7.13	117,315	7.13	
17	Other services activities	170,177	185,469	8.99	185,469	8.99	
18	Gross value added at basic price	9,530,892	10,088,321	5.85	10,003,114	4.95	



No	Industrial Origin	GDP (Billion Rp)		Growth (%)	GDP (Billion Rp)		Growth (%)
		2017	2018	2017-2018	2018	2017-2018	
19	Taxes less subsidies on products	381,812	422,203	10.58	422,203	10.58	
<b>Gross Domestic Product</b>		<b>9,912,704</b>	<b>10,510,524</b>	<b>6.03</b>	<b>10,425,316</b>	<b>5.17</b>	

Source: Bank of Indonesia (2018), Bank Indonesia (Author calculation)

Table 1 shows us about Indonesia's economic performances, using real GDP by industrial origin. In the year of observation, 2018 Indonesia has GDP at 2010 constant prices Rp.10,425,316 billion, and its economic growth rate reached at 5.17 %. If we want to have a higher economic growth rate, for an example; 6.03 %, it would happen, of course, should have a better economic plan and controlled actions. We could have an economic growth rate reached at 6.03% if everything we did going well.

There are some factors have to be considered. First of all, identifying all of the available economic resources we have. Please choose some alternative potential economic resources from available potential resources, one or more can be chosen, and it all depends on the results of the evaluation. After that, doing an examination on them to be used optimally. Third, making economic growth targets from selected posts of GDP by industrial origins should be repaired. Fourth, by using a selected method we have, we can measure all of the estimated economic growth numbers. Of course, will have many home works should be done later. The government should make a better plan and controlled actions to be implemented, by using the best strategies, in order to make output by industrial origin can run faster according to determined targets. From this point, a real sector and a monetary sector must walk hand in hand together, and the monetary sector must guarantee real sector can grow well.

In our examples presented, we just push the manufacturing sector growing faster at 8.32% instead of at 4.27%. As a result, Indonesia's economic growth rate can reach 6.03 %. A Well planned economy enables output by sectors are able to grow faster whenever increased investment and output. It means that the real sector growing faster and at the same time the monetary sector guarantees investment and production process running well. We can also hope the manufacturing sector grows at 13.3 % per annum as like as occurred in The Orde Baru regime during 1971-1977, by implementing a good economic plan. However, we have to be careful to determine growth rate targets, it all logically must be considered.

**Table 2. Estimated GDP by industrial origin and its growth rate, in 2018 and 2019**

No	Industrial Origin	GDP (Billion Rp)		Growth (%)	GDP (Billion Rp)		Growth (%)
		2017	2018	2017-2018	2019	2018-2019	
1	Agriculture, forestry and fishery	1,257,876	1,307,026	3.91	1,358,096	3.91	
2	Mining and quarrying	779,678	796,505	2.16	813,695	2.16	
3	Manufacturing	2,103,466	2,278,474	8.32	2,468,043	8.32	
4	Electricity and gas supply	101,551	107,109	5.47	112,970	5.47	
5	Water supply, sewerage, waste management and remediation activities	7,986	8,422	5.46	8,881	5.46	
6	Construction	987,925	1,048,083	6.09	1,111,904	6.09	
7	Wholesale & retail trades, repair of motor vehicles and motorcycles	1,311,763	1,376,937	4.97	1,445,351	4.97	
8	Transport and storage	406,679	435,185	7.01	465,689	7.01	

No	Industrial Origin	GDP (Billion Rp)		Growth (%)	GDP (Billion Rp)	Growth (%)
		2017	2018	2017-2018	2019	2018-2019
9	Accommodation and food service activities	298,079	314,955	5.66	332,786	5.66
10	Information and communication	503,421	538,875	7.04	576,825	7.04
11	Financial and insurance services	398,959	415,579	4.17	432,891	4.17
12	Real estate activities	289,730	300,107	3.58	310,855	3.58
13	Business services	172,764	187,691	8.64	203,908	8.64
14	Public administration and defence; compulsory social security	326,571	349,507	7.02	374,053	7.02
15	Education	304,762	321,084	5.36	338,279	5.36
16	Human health and social work activities	109,504	117,315	7.13	125,683	7.13
17	Other services activities	170,177	185,469	8.99	202,135	8.99
18	Gross value added at basic price	9,530,892	10,088,321	5.85	10,682,044	5.89
19	Taxes less subsidies on products	381,812	422,203	10.58	462,354	9.51
<b>Gross Domestic Product</b>		<b>9,912,704</b>	<b>10,510.524</b>	<b>6.03</b>	<b>11.144.398</b>	<b>6.03</b>

Source: Bank of Indonesia (2018), Bank Indonesia (Author calculation)

We can make another calculation regarding Indonesia's economic growth in different way. In this work, Indonesia's economic growth rates are determined to grow at the same numbers as different years, which shown in Table 2. Here, we have chosen a certain sector enables her to growing faster than others. We then could have the same numbers of economic growth for planned different years, by only using steady and consistent actions. In our examples, we have just pushed taxes fewer subsidies on products growing lower, meanwhile, we do not others. The fact of the matter is we finally have the same numbers of Indonesia's economic growth from year to year.

Now, we study another field of GDP, using GDP data from a type of expenditures by applying the same method as the former. Once again, this research performs some mixed policies to enable us to have the same numbers of Indonesia's economic growth like the numbers of Indonesia's economic growth which have been calculated from GDP by industrial origin. We again have Indonesia's economic growth rate at 6.03 % in 2018, explained by Table 3.

There are some steps to find that result. First of all, let all of the expenditures grow with facts. The second step is paying attention to all of the available expenditures, then take some potential expenditures to be evaluated. Here, we have a private consumption expenditure which has an important role to enlarge real GDP by type of expenditures. Private consumption expenditure has contributed 85.59 % to its GDP, or 54.21% to GDP by type of expenditures at 2010 constant prices in 2018. From this point, we try to consider people will exhaust their income in goods consumption and services consumption to be evaluated.

**Table 3. Actual & estimated GDP (type of expenditures) and its growth rate in 2018**

No	Type of Expenditures	GDP (Billion Rp)		G	GDP	Gi (%)
		2017	2018	(%) 2018	(Billion Rp) 2018	2018
1	Consumption expenditures	6,283,206	6,602,839	5.09	6,608,548	5.78
2	Private consumption expenditure	5,379,753	5,651,230	5.05	5,656,940	5.15
3	NPI serving household consumption expenditure	112,664	122,894	9.08	122,894	9.08

No	Type of Expenditures	GDP (Billion Rp)		G	GDP	Gi (%)
		2017	2018	(%) 2018	(Billion Rp) 2018	2018
4	Consumption expenditure government	790,789	828,714	4.79	828,714	4.79
5	Gross fixed capital formation	3,228,763	3,444,118	6.67	3,487,064	8.00
6	Changes in inventories	126,884	197,370	55.55	197,370	55.55
7	Statistical discrepancy 1)	91,650	96,245	5.01	96,245	5.01
8	Export of goods and services	1,915,705	2,039,737	6.47	2,039,737	6.47
9	Export of services	231,098	246,135	6.51	282,688	22.32
10	Import of goods (-/-)	1,694,587	1,918,440	13.21	1,918,440	13.20
11	Import of services (-/-)	270,015	282,688	4.69	282,688	4.69
<b>Gross Domestic Product</b>		<b>9,912,704</b>	<b>10,425,316</b>	<b>5.17</b>	<b>10,510,524</b>	<b>6.03</b>

Source: Bank of Indonesia (2018), Bank Indonesia (Author calculation)

As we know from labor statistics, Indonesia still has a high unemployment rate in this period. From labor statistics, we find that Indonesia's unemployment rate stood at 5.50% in August of 2017 and 5.34% in August of 2018. Those numbers were higher than before, for examples at 2.55% in 1990. Then, let assume Indonesia's unemployment rate only stand at 3%, and it will add around 3,070,522 workers to employed labor.

Whenever each of them receives salary Rp.3 million per worker, and all of their money exhausted to buy goods and services, it will add of Rp.4,894,11 billion to the private consumption expenditure. Indonesia's private expenditure growth rate now stands at 5.15% in 2018, and it is higher than 5.05%. Then, by treating between export of services and import of services become balance, and at the same time let gross fixed capital formation growing faster at 8.00% in 2018, they cause GDP to grow at 6.03 % in 2018.

**Table 4. Estimated GDP (type of expenditure) and its growth rate, in 2018 & 2019**

No	Type of Expenditures	GDP (Billion Rp)		G (%)	GDP	Gi (%)
		2017*	2018**	2018**	(Billion Rp) 2019**	2019**
1	Consumption Expenditures	6,283,206	6,608,548	5.18	6,950,920	5.18
2	Private Consumption Expenditure	5,379,753	5,656,940	5.15	5,948,409	5.15
3	NPI Serving Household Consumption Expenditure	112,664	122,894	9.08	134,053	9.08
4	Government Consumption Expenditure	790,789	828,714	4.79	868,458	4.79
5	Gross Fixed Capital Formation	3,228,763	3,487,064	8.00	3,766,029	8.00
6	Changes in Inventories	126,884	197,370	55.55	307,012	55.55
7	Statistical Discrepancy 1)	91,650	96,245	5.01	101,070	5.01
8	Export of Goods and Services	1,915,705	2,039,737	6.47	2,191,230	7.43
9	Export of Services	231,098	282,688	22.32	295,954	4.69
10	Import of Goods (-/-)	1,694,587	1,918,440	13.21	2,171,864	13.21
11	Import of Services (-/-)	270,015	282,688	4.69	295,954	4.69
<b>Gross Domestic Product</b>		<b>9,912,704</b>	<b>10,510,524</b>	<b>6.03</b>	<b>11,144,398</b>	<b>6.03</b>

Source: Bank of Indonesia (2018), Bank Indonesia (Author calculation)

In this case, we have done mixed strategies, which all of the economic strategies relate to all of the available potential resources. Then, let them walk hand in hand together so that GDP could grow faster. Thus, when the government implements a lot of appropriate policies to the economy, it can cause economic growth rate growing faster.

Table 4 shows us about predictions of Indonesia's growth rate in 2018 and 2019. Indonesia's growth rate stood at 6.03 % in 2018 and maintained to be constant at 6.03% in 2019. In this case, most of expenditures in 2019 are maintained growing as the same as growth rate in 2018. We just push the volume of export of services in 2019 as many as the volume of import of services, hence trade balance was maintained.

### Conclusions

It is not so bad Indonesia's economic growth rose 5.07 % in 2017 and 5.17 % in 2018, those are better than Indonesia's economic rate at 4.88 % in 2015. Some economic policies might be conducted by the government so that they could improve the level of real GDP increased higher. However, It becomes bad when we compare that result in the economic growth rate in 2012, which stood at 6.03 %. That all even, questioned by some domestic economists, they said; Indonesia's Real GDP could have grown faster like RRC's real GDP. One of them even said that Indonesia has performed messy economic policies. Of course, if his notion is true it means that Indonesia's economic growth rate at 5.17 % in 2018 is just saved by a miracle.

From this research, we find that, if all of everything can run well, it is true to say that Indonesia could have rapid economic growth rates. Of course, it comes from a good plan. We have estimated Indonesia's real GDP can be raised up to 6.03 in 2018 % by doing analysis on available potential economic resources. And then, by doing the same way as before, this research also estimates Indonesia's real GDP in 2019 can grow at the same rate as in 2018, stands at 6.03 %. In the economic system, all elements in the system must work together. They are related one to another. This is reasonable, why a good plan is very important. Any policy cannot walk by its self, but it must be suited to targets. Do the adjusting process, when it is needed.

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